

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Thirteen)

Docket No. RM2015-7

REPLY COMMENTS OF THE PARCELSHIPERS ASSOCIATION  
(May 13, 2015)

Pursuant to Postal Regulatory Commission (Commission) Order No. 2455 the Parcel Shippers Association (PSA) respectfully submits these comments in response to the initial comments submitted in this proceeding by United Parcel Service (UPS), the Association for Postal Commerce (PostCom), the Direct Marketing Association (DMA), and the Public Representative (PR).<sup>1</sup>

PSA agrees with all commenters, the Postal Service, and the Commission that updating the city carrier – street study is beneficial given the vintage of the study used in preparing the FY 2014 Cost and Revenue Analysis (CRA), the numerous operational and mail mix changes that have occurred in the intervening years, and the substantial magnitude of costs – \$11.7 billion plus piggybacks -- involved.<sup>2</sup> UPS Comments at 1; PostCom Comments at 1; DMA Comments at 1; PR Comments at 6. But, PSA is disappointed the Commission agreed to extend this pending proceeding. It was time to bring this docket to a close.

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<sup>1</sup> United Parcel Service Comments on Postal Service Proposal Thirteen Regarding City Carrier Street Time Costs, March 18, 2015 (UPS Comments); Comments of the Association for Postal Commerce, March 18, 2015 (PostCom Comments); Comment of the Direct Marketing Association, March 11, 2015 (DMA Comments); Public Representative Comments, March 18, 2015 (PR Comments).

<sup>2</sup> Docket No. ACR2014, USPS-FY14-2 – FY 2014 Public Cost Segments and Components Report, FY14.2.Public Cost Segs and Comp.xls, “CSSummary”, cell H63.

**UPS Should Not Have Been Given Further Bites at the Apple in This Proceeding. UPS' Failure to Produce a Fully Developed Method Is of Its Own Doing, Resulting From Its Choice to Only Begin Participating Actively in This Proceeding and Its Successor Only at the Eleventh Hour.**

This rulemaking and its predecessor, Docket No. RM2011-3,<sup>3</sup> which also focused primarily on city carrier – street costs, has been ongoing for more than four years. Yet a theme running through UPS filings in this proceeding is that it is the victim of not having sufficient time to develop an alternative to the Postal Service's proposed costing method. UPS Comments at 5, 6, 9, 23, 25-26; UPS Comments Appendix A at 26. As detailed below we agree with UPS that the alternative method it proposed is not sufficiently developed to be used in preparing the Postal Service's Cost and Revenue Analysis (CRA). We, however, strongly dispute UPS' claim that the inability to produce a workable model justified an extension of this docket.

UPS' inability to fully develop a model by the March 18 initial comment deadline results from its own inaction. UPS waited more than two months into this proceeding and only one month before the deadline for initial comments to UPS request access to non-public materials in this proceeding.<sup>4</sup> In contrast, the Commission issued its first information request on January 6, less than a month into the proceeding.<sup>5</sup>

Additionally, UPS did not request any information or make any filing in Docket No. RM2011-3, the successor to this proceeding, which was initiated more than four years ago.<sup>6</sup> This lack of active participation is despite the fact that (1) updating city carrier – street-costing methods was identified early in Docket No. RM2011-3 as a main

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<sup>3</sup> Docket No. RM2011-3 – Priorities for Future Data Collection and Analytical Work Relating to Periodic Reporting.

<sup>4</sup> United Parcel Service Inc.'s Motion Requesting Access to Non-Public Materials Relevant to Proposal Thirteen Under Protective Conditions, February 18, 2015.

<sup>5</sup> Chairman's Information Request No. 1, January 6, 2015.

<sup>6</sup> Docket No. RM2011-3, Order No. 589 – Notice and Order of Proposed Rulemaking on Periodic Reporting, November 18, 2010 (Order No. 589).

focus area of the proceeding;<sup>7</sup> (2) throughout RM2011-3 the Postal Service provided multiple updates – both written and through presentations at technical conferences – on its proposed approach,<sup>8</sup> many aspects of which UPS now criticizes; and (3) the Commission has historically been very accommodating in issuing information requests based upon motions filed by interested parties. UPS had ample opportunity and ample time to pursue its interests in this docket.

Had this docket been brought to a close, UPS rights would not have been affected. If and when UPS fully develops an alternate model, it is free to petition the Commission to initiate a proceeding to evaluate it.<sup>9</sup> Such an approach would have been preferable to adjusting the RM2015-7 procedural schedule because it would have permitted interested parties to comment once on a fully developed proposal, rather than requiring them to comment multiple times on a moving target.

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<sup>7</sup> Order No. 589, Attachment at 1.

<sup>8</sup> Docket No. RM2011-3, Order No. 964 – Order Scheduling Technical Conference, November 10, 2011; Docket No. RM2011-3, Responses of The United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, August 23, 2011; Docket No. RM2011-3, USPS-LR-RM2011-3/1 – Information Regarding the Carrier Optimal Routing (COR) System, January 3, 2012; Docket No. RM2011-3, USPS-LR-RM2011-3/2 – Information Regarding the City Delivery Pivoting Opportunity Model (CDPOM), January 3, 2012; Docket No. RM2011-3, Order No. 1385 – Order Scheduling Second Technical Conference, June 27, 2012; Docket No. RM2011-3, Postal Service Report Regarding Cost Studies: Response to PRC Order No. 1626, April 18, 2013; Docket No. RM2011-3, Order No. 1760 – Order Scheduling Third Technical Conference, June 25, 2013; Docket No. RM2011-3, PRC-RM2011-3-LR1 – August 7, 2013 Technical Conference Slides, August 13, 2013.

<sup>9</sup> If this rulemaking is brought to a close UPS and other interested parties are not without established recourse. As the Commission has pointed out to UPS and others in the past, Commission rules provide ample opportunity for interested parties to propose changes in analytical principles Commission Rule 3050.11(a) provides:

To improve the quality, accuracy, or completeness of the data or analysis of data contained in the Postal Service's annual periodic reports to the Commission, the Commission, acting on its own behalf, may issue a notice of proceeding to change an accepted analytical principle. **In addition, any interested person, including the Postal Service or a public representative, may submit a petition to the Commission to initiate such a proceeding.** (Emphasis added).

UPS has stated it plans to petition the Commission to initiate a proceeding to evaluate, among other items, costing methods. Docket No. ACR2014, Comments of United Parcel Service on Postal Service's FY 2014 Annual Compliance Report, February 2, 2015, at 3.

Since this rulemaking is continuing, in order to comply with the procedural schedule we offer this response to the initial comments of UPS and others knowing that we are shooting at a moving target that is likely to change significantly when UPS produces additional filings at a later date.

### **UPS' Alternate Model Cannot Be Adopted in This Proceeding.**

In its initial comments, UPS proposed an alternate model developed by Dr. Kevin Neels. This model is seriously flawed.

First, the model should be rejected because it uses parcel volume data that both the Postal Service and UPS agree is of low quality. When providing these data in response to an informal request by UPS, the Postal Service made this quite clear, stating:

[I]t must be noted that, in contrast with the other DOIS volume counts upon which the Postal Service analysis relies, delivery units don't get any 'credit' for the counted parcel volumes. Moreover, and also unlike other volumes (which are done by machine counts or linear measurements), accurate parcel counts are cumbersome to complete and may not be attempted. This accounts for the large amount of zero values in the data. Even for those delivery units that do submit parcel data, participation is not necessarily approached with the same intensity of focus on data quality that is applied when compiling data for which the delivery units are held accountable. Thus, although providing the data that UPS has requested, the Postal Service can in no way vouch for their reliability or utility. Notice of the United States Postal Service Filing of USPS-RM2015-7/2, March 2, 2015, at 2.

Both UPS' comments and the statement of its witness concur with the Postal Service's assessment:

Unfortunately, the deviation parcel data that has been collected...does appear to have data quality issues. UPS Comments at 27.

Inspection of the DOIS parcel data suggested that the Postal Service's concern about data quality were not groundless. The data set did contain large numbers of zero values, and moreover, there appeared to be a pattern to the distribution of these zero values. There were many

individual routes containing nothing but zero values, suggesting that whoever was responsible for reporting volumes for these routes may have consistently failed to do so. UPS Comments, Appendix A at 7-8.

Second, UPS' alternative model does not differentiate between the costs to deliver various types of mail (e.g., letters, flats, small parcels) that fit in the mailbox. UPS Comments Appendix A at 19, Fn. 23. While parcels represent an increasing portion of the mailstream, they still comprise less than three percent of mail volume FY 2015, Quarter 1 Quarterly Statistics Report. Furthermore, because many of these parcels fit in the mailbox, they would not be included in Neels' parcel volume figure. UPS' combining of all pieces delivered to the mailbox into a single volume variable allows the "tail to wag the dog."

Finally, Neels stops just short of conceding that his alternate model is not yet ready for prime time, stating: "[t]he results presented here...reflect just weeks of work, and in this brief period it is simply not possible to subject these results to the degree of testing and evaluation they deserve." UPS Comments, Appendix A at 26.

**UPS' Premise That the Presence of Packages Substantially Increases the Postal Service's Cost to Deliver Letters and Flats Is Unfounded. Equally unfounded is UPS' Suggestion that Package Volumes Are the Main Reason for USPS to Purchase New Delivery Vehicles.**

UPS motivates its position that the presence of packages meaningfully increases the Postal Service's cost to deliver letters and flats by repeatedly referencing a single quote from one carrier about having to "step over parcels." UPS Comments at 11-12. While PSA believes that this carrier and others have, at times, had to "step over parcels," it is a large leap (not just a step) anecdotal incident to a conclusion that the presence of parcels has an important impact on letter and flat delivery costs.

Perhaps in a failed effort to strengthen its argument UPS' econometrician added a package delivery variable to the Postal Service's regular delivery regression to attempt to assess the relationship between regular delivery time and package volumes.

The result of UPS' analysis – that each additional *package* present increases the cost to deliver *letters* and *flats* by nearly a minute defies common sense. UPS Comments Appendix A at 9 (Table 2). How many times would a carrier have to “step over” each parcel for the presence of that parcel to increase the cost of delivering letters and flats by a minute?

While we have not reviewed Dr. Neels' econometrics, PSA encourages the Commission to do so. It seems much more likely that Neels' result is caused by his use of questionable package volume data in this regression, collinearity between mail volume variables, or other econometric issues than that his result is an accurate reflection of USPS operations. See UPS Comments at 27.

UPS also references the fact that a carrier had to “step over parcels” to support its contention that the purchase of new carrier vehicles is being driven substantially by package volume growth. UPS Comments at 11. While the current and future composition of the mailstream should be taken into account when determining the design of the future delivery vehicles, it is not the main reason why the Postal Service needs new delivery vehicles. The primary reason is that Postal Service delivery vehicles are decades old and need to be replaced, regardless of package volumes or changes in these volumes.

Furthermore, the composition of the mailstream is only one of multiple vehicle design considerations. The *New York Times* article cited by UPS notes several others –

Some of the changes are aimed at simply bringing the truck in line with current standards. Among the new features the post office wants are not only items like airbags, but also backup cameras and warning systems, ergonomic seats and doors, and antiskid surfaces.<sup>10</sup>

Mr. Ellis said anti-lock brakes would be a welcome addition to help navigate wet and wintry weather. He also said the current trucks could get a little top-heavy toward the end of the day, when the truck was emptier,

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<sup>10</sup> Aaron Kessler, *Reinventing the Mail Truck*, N.Y. Times (Mar. 5, 2015) available at <http://www.nytimes.com/2015/03/06/automobiles/the-mail-truck-is-a-classic-and-thats-a-problem-for-a-modern-post-office.html>.

and a new design with improved weight distribution would help.<sup>11</sup>

Better fuel economy is paramount; the current trucks achieve only about 9 miles per gallon. In the 2014 fiscal year, the Postal Service spent \$539 million overall just on fuel.<sup>12</sup>

**It Would Be Inappropriate to Attribute All Costs for Special Purpose Routes to Competitive Products.**

UPS' suggestion that all costs for special purpose routes should be attributed to competitive products would over attribute costs to competitive products, reducing the accuracy of cost attribution. See UPS Comments at 21-23. This is for several reasons.

First, as UPS concedes may be the case (UPS Comments at 22, Fn. 24), not all special purpose routes are dedicated to parcel delivery. For example, activities on special purpose routes also include "collecting mail at designated collection points."<sup>13</sup> Unsurprisingly and appropriately, costs for collection activities are attributed primarily to First-Class Mail.<sup>14</sup>

Second, UPS is correct that a portion of activities for special delivery routes is focused on parcel delivery. Attributable costs for these activities, as expected, are attributed primarily to package products.<sup>15</sup> Attributing these costs entirely to competitive products, however, would be inappropriate because market-dominant packages, such as First-Class Mail Parcels and Bound Printed Matter Parcels, are also delivered via special delivery routes.

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> FY 2013 Summary Description of Development of Costs by Segments and Components (Summary Description) at 7-3.

<sup>14</sup> Docket No. ACR2014, USPS-FY14-32 – FY 2014 CRA "B" Workpapers (Public Version), CS067.xlsx, "7.0.6", columns H and K.

<sup>15</sup> Docket No. ACR2014, USPS-FY14-32 – FY 2014 CRA "B" Workpapers (Public Version), CS067.xlsx, "7.0.6", columns E and G.

Finally, it would be inappropriate to attribute all network travel costs for special delivery routes to competitive products. In addition to the fact that, as explained above, special purpose routes are not dedicated to the delivery of competitive products, “[n]etwork travel is a function of the delivery network and not related to changes in volume and is treated as institutional costs on both [letter and special purpose] routes.” Summary Description at 7-2.

**UPS’ Assertion (at 2) That Competitive Products Only Pay 5.5 Percent of Institutional Costs Is Incorrect.**

The appropriate share requirement sets a floor on required institutional cost contribution that the Postal Service is allowed to, and regularly does, exceed. In FY 2014, the contribution of competitive products to institutional costs was \$4.3 billion, 12.6 percent of the Postal Service’s \$34.2 billion in institutional costs. FY 2014 was not an anomaly. Figure 1, reproduced from the Commission’s recently released FY 2014 Financial Analysis report,<sup>16</sup> shows that the contribution of competitive products regularly, and by increasing amounts, exceeds the 5.5 percent appropriate share.

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<sup>16</sup> Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2014, April 1, 2015, at 41, Figure III-8.



**Figure 1: Competitive Products' Contribution to Institutional Cost**



Source: FY 2014 and FY 2013 Postal Regulatory Commission *Financial Report*, Appendix A; Postal Regulatory Commission Library Reference PRC-LR-1, FY 2007-FY 2012 ACD.

All UPS arguments stemming from this incorrect assertion should be ignored. See, e.g., UPS Comments at 22-23, footnote 25.

**There Is No Groundswell of Market-Dominant Mailers Raising Concerns About Competitive Products. Instead, the Concern of Market-Dominant Mailers Should Be That UPS Efforts Will Artificially inflate USPS Prices for Competitive Products, Pushing USPS out of the Competitive Delivery Market.**

PSA is concerned that UPS' recent filings could leave the false impression that market-dominant mailers share UPS' concerns related to the attribution of costs to competitive products. UPS Comments at 3.

In this proceeding, only one industry association with an interest in market-dominant prices – PostCom – has raised any questions related to the attribution of costs to competitive products. PostCom Comments at 2. PSA members also mail market

dominant products. It would be inappropriate to jump to the conclusion that the market-dominant mailing industry supports UPS' positions.<sup>17</sup>

A larger concern for market-dominant mailers should be that UPS' efforts result in costs being over attributed to competitive products, pricing the Postal Service out of the competitive delivery market. As noted above, in FY 2014, competitive products collectively contributed \$4.3 billion to institutional costs<sup>18</sup>, substantially above the \$1.9 billion minimum contribution required by the 5.5 percent appropriate share requirement. Pricing the Postal Service out of the competitive delivery market (or a portion of it) would cost the Postal Service contribution that would have to be made up in another way, e.g., through market dominant product revenues.

Finally, that competitive products generate more than twice the minimum requirement is substantial evidence that the Postal Service has no incentive to subsidize competitive products; rather, it has a large incentive to maximize the contribution these products make to institutional costs.

**PostCom Misinterprets Readily Available Data to Argue That the Growth in Package and Accountable Delivery Time Has Not Kept Pace With Package Volume Growth.**

PostCom raises concern that the Packages and Accountable Delivery percentage of street time costs has only increased by 34 percent between 2009 and 2012-2013 while USPS package volume has increased by an unsourced 168 percent. PostCom Comments at 3. This comparison is incorrect because while package volumes have grown rapidly in recent years, they haven't grown by an amount approaching 168 percent over this period. As Figure 2 shows, parcel volumes grew by

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<sup>17</sup> PSA would also caution against reading too much into the brief FY 2014 ACR filings from one mailer and chamber of commerce that have never before filed comments at the Commission. Docket No. ACR2014, Progressive Direct Mail Advertising Comments on Annual Compliance Report, February 2, 2015; Utah Hispanic Chamber of Commerce Comments on Annual Compliance Report, February 2, 2015.

<sup>18</sup> Docket No. ACR2014, USPS-FY14-1 – FY 2014 Public Cost and Revenue Analysis (PCRA) Report, Public\_FY14CRA.xls, "Cost3", cell D22 minus cell F22.

20-30 percent between FY 2009 and FY 2012-2013, growth that is much more in line with the growth in the Packages and Accountable Delivery percentage over the same period.

**Figure 2: Parcel Volumes by Year (000s)**

Year	Volume	% Change (from FY 2009)
FY 2009	2,511,181	
FY 2012	3,040,251	21.1%
FY 2013	3,261,315	29.9%
FY 2009: Quarterly Statistics Report (QSR) Quarter IV FY 2010, Table 2-C FY 2012 & FY 2013: Quarterly Statistics Report (QSR) Quarter IV FY 2013, Table 2-C		

Most likely, the unsourced 168 percent package volume growth figure refers to the growth in competitive product mail volume, but most of the increase in competitive product volume over this period is due to transfers of products from the market-dominant to the competitive product list, not growth in total USPS package volume. In particular, Parcel Select Lightweight and First-Class Package Service products, both high-volume parcel products, were transferred from market-dominant to competitive in FY 2012. FY 2012 Revenue, Pieces, and Weight Report, Footnotes 2 and 3.

### **A Final Concern**

Finally, PSA is concerned that there seems to be an orchestrated campaign of criticism that may be aimed at discrediting the accounting, costing, and reporting processes and methodologies employed by the Postal Service and the Commission. These criticisms are couched in terms such as “lack of transparency” and charges of “cross subsidy.” For example, in an unsolicited letter last August to the Chairman of the Commission the President of the Association for Postal Commerce presents several “asks” to the Chairman:

PostCom asks the Commission to provide a public explanation of the process it goes through in determining the correct assignment of attributable and institutional costs to any and all competitive products and services . . .

PostCom believes that providing transparency in this manner will go a long way toward reassuring the mailing community that costs are being properly apportioned between competitive and market dominant products and services . . .

As a representative of both competitive and market-dominant mailers, PostCom asks the Commission's assistance in adding transparency to this process and ensuring that all ratemaking is done in full compliance with the law. . .

To reassure the mailing community that competitive products are being carefully evaluated by the Commission to ensure compliance with the law, PostCom asks the Commission to provide greater transparency into how it evaluates changes in competitive products to ensure that market-dominant products are not cross-subsidizing these products.

To its credit, PostCom printed that letter and, eventually, the text of Commission's response in its *Bulletin* of September 17, 2014 which is attached as "Attachment 1." See Attachment 1, pp. 1-4. PSA believes that the Commission's approach to regulatory oversight of competitive products as outlined in Commission's response to PostCom strikes an appropriate balance.

In its response to PostCom the Commission detailed its approach to reviewing competitive product prices for compliance with statutory prohibitions on the subsidization of competitive products by market-dominant products. These methods include both before-the-fact review when competitive product prices are changed and after-the-fact review as part of the Commission's Annual Compliance Determination. While much of the financial information is provided to the Commission under seal due to commercial sensitivity, it is available for review, upon request, by the public, subject to protective conditions. UPS in this proceeding, for example, has received permission to have numerous individuals review commercially sensitive data filed by the Postal Service.

PSA appreciates the Commission's explanation and believes that Commission procedures appropriately balance the objectives of preventing cross-subsidization and enabling the Postal Service to compete on a level playing field with its private sector competitors in the package delivery market.

As PSA has argued since the enactment of postal reform legislation in 2006, appropriate treatment of competitive product information is critical to ensure fair competition. For example:

PSA strongly supports the Commission's statement that 'disclosure [of rates and fees for contract rates is not required because of the probability that these rates and fees may be subject to confidentiality requirements.]' Order No. 26, para. 4016. In addition to safeguarding parcel shippers' proprietary information, confidentiality is critical to allowing the Postal Service to effectively compete. Requiring the disclosure of the details of contract rates would allow the Postal Service's competitors to undercut the Postal Service's contract rates wherever profitable, placing the Postal Service at a significant competitive disadvantage. Docket No. RM2007-1, Comments of the Parcel Shippers Association in Response to the Commission's Order Proposing Regulations (September 24, 2007) at 13-14.

We believe...that it is appropriate to afford the Postal Service a level of confidentiality regarding competitive product information, particularly information related to contracts between the Postal Service and individual companies, that is comparable to that afforded to Postal Service competitors. Parcel Shippers Association Response to the Public Representative's Motion to Make Core Cost, Volume, and Revenue Material Public (February 3, 2009) at 6.

PSA believes the Commission, generally, has struck an appropriate balance between disclosure and oversight in its rules. This involves combining substantial disclosure of competitive product information (under seal) to the PRC with more limited public disclosure. Docket No. ACR 2013, Reply Comments of the Parcel Shippers Association (February 14, 2014) at 5.

**Conclusion**

The Parcel Shippers Association respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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**POSTCOM BULLETIN 39-14**

**SEPTEMBER 17, 2014**

**HIGHLIGHTS . . . . .**

. . . . . [\*\*INQUIRING MINDS WANTED TO KNOW\*\*](#) -- The Postal Regulatory Commission has responded to a request from the Association for Postal Commerce for the Commission to explain more fully the processes it follows to ensure that the attribution of competitive services costs are accurate and in compliance with current postal law.

. . . . . [\*\*OIG AUDIT ON USPS' DRIVE INITIATIVE TO MARKET NEW & EXISTING SERVICES\*\*](#) -- The USPS Office of Inspector General (OIG) on September 10, 2014, published its audit report (DP-AR-14-005) on the USPS' Delivering Results, Innovation, Value and Efficiency (DRIVE) initiative 42 – Market New and Existing Services – which is one of five marketing and sales initiatives to increase revenue by \$16.65 billion by FY2017. It found that the USPS' management of its DRIVE 42 initiatives needs improvement, citing processes not being followed, goals being established without systems to accurately measure achievement, goals not being aggressive enough, and inaccurate information being used for management and evaluation of DRIVE initiatives.

. . . . . [\*\*UNDERSTANDING THE EFFECTIVENESS OF PHYSICAL COMMUNICATIONS -- AN OIG RFI\*\*](#) -- The Postal Service's Office of the Inspector General has issued a request for information (RFI) in which the OIG says it is open to suggested methodologies for conducting neuroscience research to understand the human response to and effectiveness of physical communications.

. . . . . [\*\*AND NOW, A WORD ABOUT THE POSTAL SERVICE AND PUBLIC SERVICE\*\*](#) -- As the U.S. Postal Service, like many of its foreign counterparts, attempts to generate profits by being more “businesslike”, it is running up against a long tradition of public service and costs. Public policy makers – in the name of their constituents – value those public services. They just choose to ignore the costs. And few are discussing, in any practical sense, the opportunities for generating profitable revenue through appropriately priced new public services.

. . . . . [\*\*POSTAL NOTES\*\*](#) -- FedEx rates to rise. No postal bills attached to CR. USPS steps up with new cybersecurity role. USPS posts presort data issue log. OIG awards CIO support contract. USPS awards low cost tray sorter contract. USPS losing money on China deal. Interest in same day heats up. Retired letter carriers getting centralized delivery? Oops! Spend matters wants to know. Giving new meaning to an “air” parcel service.

. . . . . [\*\*POSTAL CUSTOMER UPDATES\*\*](#) -- A list of USPS industry announcements

. . . . . [\*\*POSTAL REGULATORY COMMISSION UPDATE\*\*](#) -- An update on key docket activity at the PRC.

. . . . . [\*\*OFFICE OF INSPECTOR GENERAL UPDATE\*\*](#) -- An update from the USPS Office of Inspector General.

. . . . . [\*\*OVER THERE . . . INTERNATIONAL POSTAL NEWS\*\*](#) -- A review of postal news from around the world.

. . . . . [\*\*POSTAL PREVIEWS\*\*](#)

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**INQUIRING MINDS WANTED TO KNOW**

Late last month, the Association for Postal Commerce sent the following to the Chairman of the Postal Regulatory Commission.

For many years, a central tenet of PostCom's policy positions has been that attributable and institutional costs should be allocated among and between postal products rationally and in accordance with the law. Since the enactment of

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PAEA, the law has recognized a distinction in the way in which the Postal Service reports information regarding and seeks the approval of the Postal Regulatory Commission for changes in its products and prices depending on whether the services in question are market-dominant or competitive. While PAEA provides the Postal Service with considerable latitude over the assignment of institutional costs to competitive services as a group, the law still requires each class or service within the competitive services area to pay rates based on the assignment of attributable costs without subsidy from any other class or service.

Theoretically, the evaluation of whether prices within competitive services comply with this mandate occurs when the Postal Service files a notice of change in competitive prices with the Commission under 39 C.F.R. Part 3015. However, most of the papers associated with these changes are filed "under seal" to protect against the disclosure of competitively sensitive information. Unlike the case with market-dominant price changes, these papers are not subject to unfettered public scrutiny.

Over the past few years, the Postal Service has expanded greatly its provision of package services within the competitive category, and the Postal Service has stated explicitly its desire to move as many services as possible from market-dominant to competitive. This focus on increasing the proportion of competitive products creates a greater likelihood that materials will be filed "under seal." While PostCom fully understands why these materials must be shielded from public view, this confidentiality also restricts the Commission's ability to publicly disclose how it has made its decisions and leaves interested parties with limited ability to understand the Commission's judgments on attributable costs. As a representative of both competitive and market-dominant mailers, PostCom asks the Commission's assistance in adding transparency to this process and ensuring that all ratemaking is done in full compliance with the law.

To reassure the mailing community that competitive products are being carefully evaluated by the Commission to ensure compliance with the law, PostCom asks the Commission to provide greater transparency into how it evaluates changes in competitive products to ensure that market-dominant products are not cross-subsidizing these products. Specifically, PostCom asks the Commission to provide a public explanation of the process it goes through in determining the correct assignment of attributable and institutional costs to any and all competitive products and services . . . . PostCom believes that providing transparency in this manner will go a long way toward reassuring the mailing community that costs are being properly apportioned between competitive and market dominant products and services . . . .

On September 12, the Postal Regulatory Commission sent the following reply.

Your request raises a number of legal and policy questions concerning the Commission's legal authority, its rules, and the procedures and standards that the Commission employs in evaluating competitive product prices . . . .

*Background.* Competitive product prices are evaluated to ensure that competitive products not be subsidized by market dominant products (39 U.S.C. § 3633(a)(1)); that each competitive product cover its attributable costs (id. § 3633(a)(2)); and that competitive products collectively make an appropriate contribution to the institutional costs of the Postal Service (id. § 3633(a)(3)). The Commission's regulations in 39 C.F.R. part 3015 were adopted to implement the statutory provisions applicable to competitive product prices. Subject to these statutory and regulatory requirements, the Postal Service is granted considerable pricing flexibility. As such, price changes for competitive products can be more or less than price changes for market dominant products, which are limited by class of mail to the rate of inflation. Moreover, price increases for certain mailers within a competitive product may be offset by price decreases for other mailers within that product. However, Commission rules require additional scrutiny of a competitive product price decrease. 39 C.F.R. § 3015.3.

The Commission has two opportunities to evaluate competitive product prices for compliance with statutory and regulatory requirements. An initial evaluation is made when a competitive product price is changed. This evaluation is forward looking and is based upon projected costs, revenues, and volumes. The second evaluation occurs as part of the Commission's Annual Compliance Determination (ACD) process. This latter evaluation is based upon actual costs, revenues, and volumes.

*The Initial Evaluation Process.* The Commission undertakes an initial evaluation of competitive product prices when the Postal Service files notice of a price change pursuant to Commission rules. 39 C.F.R. part 3015. The Postal Service's notice includes supporting financial workpapers showing projected volumes, revenues, attributable costs, and cost coverage for a future fiscal year based upon the new prices. The financial workpapers are frequently supplemented by Postal Service responses to Commission information requests. The Postal Service is to publish in



the Federal Register, and file with the Commission, its notice of a competitive product price change at least 30 days before the effective date of the change. 39 U.S.C. § 3632(b)(2); 39 C.F.R. § 3015.2. The Commission endeavors to complete its initial evaluation of such price changes as soon as possible within that 30-day period.

The financial workpapers are filed publicly after redacting those portions containing commercially sensitive information. As provided by the PAEA, the financial workpapers are also filed with the Commission in their entirety in a non-public annex, upon a determination by the Postal Service that there is a need to prevent disclosure of such commercially sensitive information. 39 U.S.C. §§ 3652(f) and 3654(f). Subject to Commission approval, the Commission's rules permit access to non-public materials filed "under seal," subject to protective conditions, upon request by any person. 39 C.F.R. § 3007.40. Access to these materials can aid interested members of the general public, mailers, postal competitors and the Commission-appointed Officer of the Commission (Public Representative) assigned to each proceeding in preparing public comments to the Commission. In that regard, participation by the Public Representative contributes to the transparency of the Commission's evaluation. A recent example of the type of financial workpapers (and other materials) available publicly and filed under seal can be found in Order No. 2156, available on the Commission's website in which the Postal Service gave notice of changes in prices for Priority Mail.

A review of the Postal Service's financial workpapers informs the Commission's initial evaluation for compliance. The financial workpapers are frequently supplemented by Postal Service responses to Commission information requests. The Commission reviews the financial workpapers and responses to information requests to determine whether the new prices are expected to generate sufficient revenues to cover the attributable costs of the competitive product(s), as required by section 3633(a)(2). The Commission also reviews the financial workpapers to determine whether the new prices are expected to contribute an appropriate share to the institutional costs of the Postal Service as required by section 3633(a)(3). Together, Commission findings that the new prices are expected to cover attributable costs and to contribute an appropriate share of institutional costs support a further finding that competitive products will not be subsidized by market dominant products. See 39 U.S.C. § 3633(a)(1). In addition to the Postal Service's financial workpapers, public comments also inform the Commission by offering insight as to the effect of competitive product price changes on the general public, mailers, and competitors.

As discussed above, attributable and institutional costs play an important role in the Commission's evaluation. Attributable costs are those "direct and indirect postal costs attributable to each class or type of mail service through reliably identified casual relationships plus that portion of all other postal costs reasonably assignable to such class or type." See 39 U.S.C. § 3622(c)(2). Institutional costs are those costs that remain after the determination of attributable costs, i.e., total accrued costs of the Postal Service minus attributable costs.

In addition to the Postal Service's financial workpapers and responses to Commission information requests, the Commission also reviews information in the most recently completed ACD report as part of its initial evaluation of compliance to determine whether actual revenues covered audited attributable costs of the competitive product(s) in the most recent fiscal year. When the Commission has found that the cost coverage (revenues divided by attributable costs) exceeded 100 percent, such finding provides added weight to an initial evaluation that revenues to be generated by the new (generally higher) prices will likely continue to cover attributable costs, make the appropriate contribution to institutional costs, and avoid the subsidization of competitive products by market dominant products.

*The ACD Evaluation Process.* In its ACD, the Commission undertakes an annual evaluation of competitive product prices in effect during the most recent fiscal year in order to make a compliance "determination." 39 U.S.C. § 3653. The Commission's compliance determination is based upon extensive financial information filed by the Postal Service, which is supplemented by Commission requests for additional information. The financial information includes the attributable costs and revenues for each competitive (and market dominant) product based upon the actual financial data for such products during the most recent fiscal year. The attributable costs are calculated by the Postal Service using methodologies approved by the Commission. Those methodologies (often proposed by the Postal Service) are reviewed by the Commission in public proceedings in which mailers and other interested persons, including trade associations such as PostCom, may participate and submit comments.

The Commission audits both actual revenues and attributable costs, and again evaluates competitive product prices against the statutory provisions of section 3633(a). Interested persons and the Commission-appointed Public Representative are also given an opportunity to comment on the compliance of competitive (and market dominant) product prices with the statute.

To make a compliance determination, the Commission first determines whether prices in effect for each competitive product generated revenues that covered the attributable costs incurred by the Postal Service for each product during the fiscal year. When the Commission finds that revenues for a competitive product exceed attributable costs, the prices for such a product comply with section 3633(a)(2). In effect, a competitive product found to be in compliance is not considered to be operating at a loss.

With respect to section 3633(a)(1), the Commission uses incremental costs to test whether competitive products as a whole are being subsidized by market dominant products. As specified in Commission rule 39 C.F.R. § 3015.7(a), these costs represent the aggregation of incremental costs for domestic competitive products, attributable costs for international competitive products, and competitive group specific costs. They are calculated by the Postal Service each year based upon methodologies approved by the Commission in a public proceeding. According to long-standing economic principles to which the Commission adheres, when revenues exceed incremental costs, there are no cross-subsidies between products. Consequently, where the Commission finds that competitive product revenues for the stated fiscal year exceed the costs calculated under 39 C.F.R. § 3015.7(a), the Commission is assured that competitive products are not being subsidized by market dominant products, in compliance with section 3633(a)(1).

Finally, the Commission determines whether the prices in effect for each competitive product generated revenues that made an appropriate contribution to institutional costs as required by section 3633(a)(3). As discussed below, the Commission has previously determined that competitive products should contribute at least 5.5 percent of the Postal Service's total institutional costs. To calculate the percentage of institutional costs paid for by competitive products, the total institutional costs covered by all competitive products is divided by the total institutional costs of the Postal Service. In the most recent ACD report, the Commission found that the institutional costs paid for by all competitive products represented 11.7 percent of the total institutional costs of the Postal Service as compared to the 5.5 percent minimum required for compliance.

*Commission Review of Contribution to Institutional Costs.* In 2007, the Commission made its initial determination that competitive products should contribute at least 5.5 percent of the Postal Service's total institutional costs. Order No. 43. More recently, the Commission reviewed this requirement in a public proceeding and reaffirmed the 5.5 percent "appropriate share" contribution. Docket No. RM2012-3, Order No. 1449, Order Reviewing Competitive Products' Appropriate Share Contribution to Institutional Costs, August 23, 2012.

Under the PAEA, the Commission must re-examine the appropriate contribution to institutional costs every five years. 39 U.S.C. § 3633(b). Pursuant to this provision, the next review must occur no later than 2017. In addition, the Commission has recently awarded a contract to CMPW Partnership to study institutional costs. That study is currently scheduled to be completed by September 30, 2014.

If, after reviewing the discussion above, PostCom believes that the Commission's reasoning and its application of the law is still unclear, it is free to petition the Commission under existing procedures to request an examination of those issues in public proceedings.

The only question that now needs to be asked, Dear Reader, is has the Commission made itself sufficiently clear regarding the steps it takes to ensure that the attribution of competitive product costs are accurate and comport fully with the law? If you have any thoughts on the matter, please feel free to share them by contacting [info@postcom.org](mailto:info@postcom.org).

## OIG AUDIT ON USPS' DRIVE INITIATIVE TO MARKET NEW & EXISTING SERVICES

The USPS Office of Inspector General (OIG) on September 10, 2014, published its audit report (DP-AR-14-005) on the USPS' Delivering Results, Innovation, Value and Efficiency (DRIVE) initiative 42 – Market New and Existing Services – which is one of five marketing and sales initiatives to increase revenue by \$16.65 billion by FY2017. It found that the USPS' management of its DRIVE 42 initiatives needs improvement, citing processes not being followed, goals being established without systems to accurately measure achievement, goals not being aggressive enough, and inaccurate information being used for management and evaluation of DRIVE initiatives.

**Background.** The OIG noted that the USPS originally established 36 DRIVE initiatives in FY 2011 to improve its business strategy and reduce the reported \$20 billion gap between revenue and expenses by 2016 "through data-driven programs and effective project management." The OIG noted that "[t]his includes about \$16 billion related to legislative efforts to reduce Postal Service prefunding costs in employee retirement benefits and health care." "DRIVE initiatives are supposed to be bold and aggressive and have measurable outcomes," it said.

DRIVE 42 – Market New and Existing Services – is one of five marketing/sales DRIVE initiatives, the OIG said, which aim to increase USPS revenue by \$16.65 billion by FY2017. The objective of DRIVE 42 is to retain and grow shipping and mailing services through five projects which aim to increase shipping revenue; retain and grow profitable mail revenue; increase online revenue and online customer satisfaction; increase gift card and greeting card revenue; and support growth through brand health reporting. The OIG audit report noted,

“The Shipping Growth and Mail Retention and Growth projects are designed to grow domestic and global shipping and mail revenue by \$5.2 billion in FY 2014. Two other projects, USPS.com Optimization and Retail Product Mix and Customer Experience, focus on online revenue and gift card and greeting card programs with a combined revenue goal of \$930.5 million for FY 2014. The Brand Health project, which supports growth by producing quarterly reports on Postal Service brand health, does not have a financial impact.”

Within DRIVE, each initiative consists of roadmaps and projects with specific annual and cumulative goals to achieve cost-cutting and revenue-growth objectives. The project management process has five phases: initiation, planning, executing, monitoring & controlling, and closing.

“The USPS Strategic Management Office (SMO) tracks the Postal Service’s performance and progress toward achieving these goals,” the OIG said, noting that “[t]he SMO also provides project management guidance and standardized processes for managing program initiatives and reporting to the Executive Leadership Team (ELT).”

**OIG Findings.** The OIG found that DRIVE 42 managers “did not follow DRIVE project management processes when planning and evaluating overall project metrics and revenue goals.” It noted specific examples such as the fact that USPS “management established a revenue goal of \$5.2 billion for the shipping revenue and profitable mail projects without a system to accurately measure achievement.” “Additionally,” it noted, “the SMO reported achieving \$3.4 billion of the \$5.2 billion goal as of May 15, 2014; however the SMO does not have the necessary data to support actual revenue amounts associated with sales goals.” “The plan was to measure the progress toward the cumulative revenue goal by measuring it against all annualized sales,” it said, “but Postal Service systems do not have the capability to match a recorded sale with the mailing revenue.” “Consequently,” it concluded, “the Postal Service is unable to measure a revenue goal against recorded sales at this time.” It noted that the USPS “is developing this ability as part of the DRIVE 30 initiative to improve customer and revenue visibility.” “DRIVE 30 is intended to achieve greater than 90 percent revenue accuracy by 2017,” the OIG said.

The OIG audit also reported that the USPS’ DRIVE goal for increasing online revenue is not aggressive in that “it calls for growth that is 50 percent less, on average, than that of the 3 years prior to DRIVE 42.” It also said “the cumulative goal of DRIVE 42 was \$8 billion less than the combined goals of the five underlying projects.” “Consequently,” the OIG reported, “[USPS] management and evaluation of DRIVE 42 are based on inaccurate information.”

The OIG also reported that it “identified \$3.4 billion in unsupported increased revenue which management claimed for the shipping revenue and profitable mail projects,” which it said occurred “because there is no independent audit process in DRIVE to promote accountability and ensure that goals are measurable, realistic, and accurate.” The OIG noted that it had recommended an independent audit process in its prior two reports on the DRIVE initiative.

**Table 1: DRIVE 42 Revenue Goals Through FY 2017 (In Millions)**

Measureable Metric	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Sales Shipping Revenue	\$2,500.00	\$3,120.00	\$3,400.00	\$3,500.00	\$3,700.00
Priority Mail International Regional Rate Case Revenue	NA	3.60	19.80	21.80	24.00
Sales Mail Revenue	1,232.00	2,080.00	TBD	TBD	TBD
Online Revenue	858.00	901.00	946.00	993.00	1,043.00
Greeting Card Revenue	11.50	26.70	47.0	54.60	63.30
Gift Card Revenue	1.20	2.80	6.70	12.90	30.80
<b>Yearly Totals</b>	<b>\$4,602.70</b>	<b>\$6,134.10</b>	<b>\$4,419.50</b>	<b>\$4,582.30</b>	<b>\$4,861.10</b>
<b>Grand Total</b>					<b>\$24,600.00</b>

Source: DRIVE 42 Charter, obtained from the DRIVE BlueShare website.

<sup>1</sup> The collection of program level activities critical to the success of an initiative.

**OIG Recommendations.** The OIG said it recommended that the USPS include goals that can be accurately measured and that reflect the \$24.6 billion total of the projects; requiring that initiative leads follow established criteria to set bold and aggressive roadmap goals beyond past performance;

The OIG stressed that in two previous audit reports, it has recommended “that management implement regular audits of and controls for DRIVE programs and projects.” “Without a formal independent audit process to ensure that initiatives are properly planned and monitored,” it said, “senior managers use incorrect and inaccurate information to manage and evaluate the success of DRIVE 42.”

<https://uspsoid.gov/sites/default/files/document-library-files/2014/dp-ar-14-005.pdf>

## UNDERSTANDING THE EFFECTIVENESS OF PHYSICAL COMMUNICATIONS -- AN OIG RFI

The Postal Service's Office of the Inspector General has issued a request for information (RFI) in which the OIG says it is open to suggested methodologies for conducting neuroscience research to understand the human response to and effectiveness of physical communications.

*"This RFI solicits suggested methodologies for conducting neuroscience research to understand the human response to and effectiveness of physical communications.* Specifically, the USPS OIG seeks to identify possible Suppliers that could propose and conduct neuroscience research based on the following objectives: (1) To understand the human response to physical and digital media; specifically how the brain responds to marketing stimuli and the associated downstream behaviors. (2) To assess the role direct mail can most effectively play in different phases in the relationship with a consumer or elements of the buying process. Companies are concerned with increasing the effectiveness of their marketing activities. No one channel can do all things to build a relationship with a customer, and the task of understanding how they work together is exceedingly complex. Many postal customers, especially small and medium sized enterprises (SMEs), may not be able to track the success of a specific channel and do not know the most effective mix of physical and digital communications to best convey their message.

The USPS OIG has reviewed studies related to the impact of the different communications medium on the human brain. For example, in 2010, Royal Mail commissioned a study which found that physical media left a "deeper footprint" in the brain than digital messages, even after controlling for the increase in sensory processing for tangible items. The study results seem to reveal that all other effects being equal, direct mail-based materials are more concrete and "real" for the brain, internalized more, facilitate emotional processing, and result in more fluent decision-making. The Royal Mail study indicated that direct mail elicited deeper levels of processing like vivid memory creation and emotional responses and often increased the likelihood of sales. However, work remains to be done to translate the human response to concrete behaviors (i.e., retention/recall, response rate, or intent to purchase), which illustrate the success of a marketing campaign.

The USPS OIG intends to identify and work with a supplier to use neuroscience to help companies understand where, in their relationship with a customer, that direct mail is an optimal choice of media. The USPS OIG expects the Postal Service could use this information in its ongoing efforts to assist its customers, including SMEs, through its "concierge services" pilot program and other outreach activities such as webinars and communication collateral to help create effective marketing strategies. If a RFP is issued, the Potential Supplier is expected to have capability to: a. Develop a neurophysiological study that illustrates the different human response to hard copy and digital advertising."

Interested parties are directed to respond to Contracting Office Address: US Postal Service - Office of the Inspector General 1735 N Lynn St Arlington, Virginia 22209-2020 Primary Point of Contact: Millie Abdi [mabdi@uspsoid.gov](mailto:mabdi@uspsoid.gov) Phone: 703-526-5921.

## AND NOW, A WORD ABOUT THE POSTAL SERVICE AND PUBLIC SERVICE

*The following is a contribution to the PostCom Bulletin by Kent Smith, Research Director, [Ursa Major Associates](#) / [Postal Vision 2020](#). His 38 year career in the Postal Service included Rate Classification Research, Market Research, and Strategic Planning. Ursa Major Associates / Postal Vision 2020 is dedicated to taking a broader, longer-term perspective on the future of the mailing industry ecosystem. The thoughts expressed in this "Point of View" are his own.*

**The Universal Service Obligation.** The Postal Service is a unique mix of public obligations and business requirements. Closing a post office is a federal case, quite unlike closing down hospitals, gas stations, and grocery stores. So is the issue of the number of days of delivery. Other delivery firms set their own standards, based on demand. They impose surcharges or fees for service to some locations, and choose not to deliver at all to some others. The Postal Regulatory Commission has estimated the net cost (after accounting for the "benefits" of being a government organization) of universal service at about \$5 billion.

The Postal Service has, in the past, offered services such as limited banking to some consumers not well served by the private sector. Recently, some public officials have suggested that the Postal Service could do so again, but this service is likely to impose additional costs on the Postal Service. There may be appropriate business models where public services can generate profitable revenue.

**Supporting Purely Governmental Functions.** The Postal Service also supports a variety of purely governmental institutions. Postal 2 It directly pays for its own regulator. What other industry does that? It directly pays for a specialized federal law enforcement organization, and for an independent government auditor. These activities are not business-related, although each of them benefit the mailing industry. The regulator keeps prices down. The Inspection Service protects against fraud, criminal activity and ensures the security of mail. The auditor provides yet another review of the effectiveness and efficiency of postal programs. These are just the most obvious cases, and the direct costs are several hundred million a year. There are ways to offset certain public service costs that do not require the Postal Service to raise rates on customers.

**Collaboration with Other Agencies.** The Postal Service is expected to collaborate with other government agencies. Postal 3 For example, people register for the draft at post offices. The Postal Service works with some local or state governments on vote-by-mail programs. The USPS has a profitable agreement with the Department of State to provide some passport services. The Postal Service has worked with FEMA, with the Census Bureau, and with the IRS at different times to assist them in their mission. This often goes far beyond simply delivering mail.

The Postal Service is generally aligned with the processes required of other federal agencies, even when not specifically required, simply because it is generally expected to do so in such areas as human resource, facilities, and procurement policies. On the other hand, the Postal Service has been at a disadvantage in providing mail and package services to government agencies since procurement and contract management policies have put the organization in a different category than its competitors.

There are a wide range of possible opportunities for the Postal Service and federal, state and local agencies to collaborate in ways unforeseen in the past through appropriately priced inter-agency agreements.

**Neutrality, Familiarity and Trust.** There are a number of other “values” that go along with the Postal Services’ public role. Postal 4 It is neutral, as defined by various laws but most importantly by the rules of non-preferential among different customer segments (except those required by Congress, such as reduced rates for certain mailers). Everyone is supposed to be treated fairly and openly. People are generally familiar with the rules and processes of the Postal Service. There is a high level of trust for reliability, security, and privacy. People trust the Postal Service. This is an attribute that has considerable value that has not been effectively monetized through the development of relevant services.

**Leveraging The Postal Service’s Unique Presence in Communities.** Almost every day an official representative of the government comes down your street and comes to your business and your house (or mailbox). Postal 5 Consider the potential value of a sustained effort, supported by Congress and the Administration, to save public funds and improve service to the citizens by leveraging this unique infrastructure. Other agencies, such as Interior, have built revenue generating businesses around services provided to other agencies. For some agencies, such as GSA and OPM, their whole reason for existence is to provide service for other parts of government. There may be opportunities for profitable new revenue from providing services to federal agencies, and to state and local governments.

<http://www.postalvision2020.com/2014/09/now-word-postal-service-public-service/>

## POSTAL NOTES

**FEDEX RATES TO RISE.** FedEx Ground and FedEx Freight, subsidiaries of FedEx Corp. will increase shipping rates effective January 5, 2015. FedEx Express will increase shipping rates by an average of 4.9% for U.S. domestic, U.S. export and U.S. import services. FedEx Ground and FedEx Home Delivery will increase shipping rates by an average of 4.9%. FedEx SmartPost rates will also change. FedEx Freight will increase shipping rates by an average of 4.9%. This rate change applies to eligible FedEx Freight shipments within the U.S. (including Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands), between the contiguous U.S. and Canada, within Canada, between the contiguous U.S. and Mexico, and within Mexico. Details of all changes to rates and surcharges are available at <http://www.fedex.com/us/2015rates>. FedEx previously announced in May 2014 that it will apply dimensional weight pricing to all FedEx Ground shipments. That change also takes effect January 5, 2015.

<http://news.van.fedex.com/fedex-increase-shipping-rates>





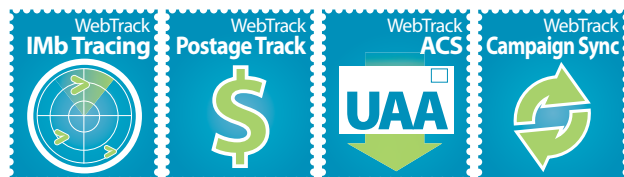
With **WebTrack**,  
I **now** know which  
days of the week  
return the highest  
response rates.

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Our robust and secure mail tracking platform provides real-time business intelligence and advanced information, as well as:

- ✓ **Creativity** – WebTrack delivers a vivid, graphical user experience designed to encourage a more intimate relationship with your data.
- ✓ **Performance** – Our platform is created using the newest technology to specifically service large, enterprise-level clients.
- ✓ **Innovation** – Product enhancements are developed at a rapid, continuous rate to keep pace with specific and constantly evolving customer needs.
- ✓ **Industry Leadership** – All levels of the company remain fully engaged throughout the industry to represent the needs of our customers.
- ✓ **Client Care** – A team of experts regularly analyze your activity to learn everything the data can tell us about your business so that we can help you make impactful decisions.

**Knowledge is Power** – Improved access to the analytics of each mailing gives you the power to continually improve your future.



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power and unlock  
new potential on your  
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**NO POSTAL BILLS ATTACHED TO CR.** As Government Executive has reported, "a spending bill to keep government agencies open appears poised to clear Congress this week, though the final iteration of the measure remains unclear." What is known is that **"the measure avoids more controversial provisions, such as addressing the U.S. Postal Service's plan to close 82 facilities nationwide in 2015"** despite the support from a majority of senators and 160 House representatives for delaying postal closures for one year.

<http://www.govexec.com/oversight/2014/09/bill-avoid-shutdown-track-passage-week/94256/?oref=dropdown>

**USPS STEPS UP WITH NEW CYBERSECURITY ROLE.** According to NextGov, "with high-profile hacks exposing the futility of passwords, alternatives such as biometric identification and two-step verification are gaining popularity. Waiting in the wings is a login network that could grant users access to many of their Internet accounts with a single registration. The National Strategy for Trusted Identities in Cyberspace is the planning ground for this system, where users will not have to release personal information or create new passwords to log on to multiple websites. A "trusted" third-party -- such as Verizon or PayPal -- would register your personal information once to create a password, fingerprint scan or other account-login mechanism. Each time you wanted to sign in to H&R Block or another online vendor, for example, you would enter that same ID. The vision is not expected to be fully realized until after 2020." One part of the network is slated to debut as early as next month. The U.S. Postal Service will operate the backbone of the tool -- currently named the Federal Cloud Credential Exchange. It's a piece of infrastructure that will allow agencies to tap a large assortment of credentials managed by the ID providers.

<http://www.nextgov.com/cybersecurity/2014/09/new-connectgov-aims-consolidate-your-passwords/94154/>

**USPS POSTS PRESORT DATA ISSUE LOG.** The USPS has posted on its RIBBS web site a Presort Reference Data Issue Log ([https://ribbs.usps.gov/intelligentmail\\_schedule2014/documents/PresortReferenceDataIssuesList.xlsx](https://ribbs.usps.gov/intelligentmail_schedule2014/documents/PresortReferenceDataIssuesList.xlsx)) which provides a list of issues reported for its Drop Ship Product, Labeling List, Zone Chart, DelStat and City/State Files. The date the issue was reported and fixed, along with a description of the issue and its resolution are presented in the log. The USPS also has posted an August/September 2014 Known Release Issues document ([https://ribbs.usps.gov/intelligentmail\\_schedule2014/releases/aug\\_sept2014/issues.cfm](https://ribbs.usps.gov/intelligentmail_schedule2014/releases/aug_sept2014/issues.cfm)) which details all the known issues found with the USPS' PostalOne Release 38.0.0.

**OIG AWARDS CIO SUPPORT CONTRACT.** The USPS Office of Inspector General (OIG) has awarded a contract to The Center for Organizational Excellence, Inc. in Rockville MD, to provide "specific subject matter expertise in areas of: Applications Integrations, Information Technology (IT) Operations, Information Security and Program Management." The contract will provide "contract support services (staff augmentation and/or task driven requirements) for the USPS OIG Office of Chief Information Officer (CIO) that are required on an as needed basis." The total value of the contract is a minimum of \$30,000 with a maximum of \$30 million.

<https://www.fbo.gov/index?s=opportunity&mode=form&id=e167225c6387ed32d4376ad32aa22292&tab=core&cvview=1>

**USPS AWARDS LOW COST TRAY SORTER CONTRACT.** The USPS has awarded a contract in the amount of \$1,080,961.81 to Datalogic Automation, Inc. in Telford, PA, for a Low Cost Tray Sorter and Tray Transport System.

<https://www.fbo.gov/index?s=opportunity&mode=form&id=89fb8caf714ada6a9c3f819ea07a3ee3&tab=core&cvview=0>

The USPS Office of Inspector General (OIG) has awarded a \$4.1 million contract to 22nd Century Technologies, Inc. located in McLean, VA, to provide the USPS OIG with a managed Service Desk. "The Service Desk will be responsible for providing all Tier 1 / Tier 2 support capabilities nationwide," the OIG said in the award posting, noting that "[t]his includes the receipt of end user requests and the processing of such requests either remotely or in-person."

<https://www.fbo.gov/index?s=opportunity&mode=form&id=d38e54e4a93d411825a960a1f828f645&tab=core&cvview=1>

**USPS LOSING MONEY ON CHINA DEAL.** *The Washington Post* has reported that "the Postal Service is losing millions a year to help you buy cheap stuff from China." According to the paper, "an international treaty that makes it possible for an individual to send a pound of stuff from Hong Kong to D.C. for less than it would cost to send the same package from, say, Seattle." It noted that "the deal" was created with an eye toward personal correspondence, "but as Chinese companies began logging on to Web marketplaces like eBay, Amazon, and Alibaba, they started taking advantage of the shipping deal to sell directly to American consumers. And so it's never been easier to get something cheap and Chinese delivered to your door for a startlingly low price: \$4.64 for a digital alarm clock; \$2.50 for a folding knife; \$1.88 for an iPhone cable—all with shipping included." The Post noted that "according to the terms set out in Universal Postal Union treaty, the USPS in 2014 gets paid no more than about \$1.50 for delivering a one pound package from a foreign carrier, which makes it hard to cover costs." The paper said that the USPS has estimated the USPS loss at \$79 million in fiscal year 2013.

<http://www.washingtonpost.com/news/storyline/wp/2014/09/12/the-postal-service-is-losing-millions-a-year-to-help-you-buy-cheap-stuff-from-china/>

**INTEREST IN SAME DAY HEATS UP.** The *Los Angeles Daily News* has reported that "same-day delivery has cropped up in metropolitan areas as online retailers look for ways to keep customers from the nearest big box store." When you consider that there are more than 10 million residents and high density in L.A. county, the interest in same-day makes sense. "Giants, like Amazon and

Google, already offer same-day delivery locally," the Daily News said, "while half a dozen grocery and food delivery services cover the city and neighboring communities. Small companies will need partnerships, like those offered by USPS, Google or Ebay, to avoid hurting their bottom line."

<http://www.dailynews.com/business/20140914/companies-looking-to-same-day-shipping-to-gain-market-share>

**RETIRED LETTER CARRIERS GETTING CENTRALIZED DELIVERY? OOPS!** According to the *National Review*, "the National Association of Letter Carriers apparently has a retirement community for former mail carriers." "The union," the magazine said, "has long opposed phasing out door-to-door delivery, even though in many instances, delivering mail to a centralized location would make the Postal Service more efficient and less wasteful." "Ending door-to-door for tens of millions of Americans would particularly harm small businesses, as well as the elderly and people who live in areas with extreme weather," the union's president said last year. "But," the magazine noted, "at the union's retirement community—which is in hurricane-prone Florida, and which serves aging retirees—mail is delivered to a centralized location."

<http://www.nationalreview.com/corner/387838/mail-union-lets-carriers-retire-hypocrisy-jillian-kay-melchior>

**SPEND MATTERS WANTS TO KNOW.** *Spend Matters* has reported that:

Over the last five years, the USPS has grown its parcel business by 20 percent, earning status as a viable option. While UPS and FedEx continue to increase margins with price increases and high fuel surcharges, the USPS is playing the game differently. It will continue to price by weight, rather than dimension, and forgo fuel surcharges altogether. While UPS and FedEx do offer a wide range of discounts to volume customers, the carriers' long lists of accessorial fees and complicated contractual terms have made it more difficult to predict and control costs. USPS customers can expect to see the highest savings on heavier parcels, which have historically been overpriced compared to UPS and FedEx pricing. The USPS continues to surprise the industry. Taking market share away from large players is no small feat. Still, a few questions remain: How will these changes impact the long-term partnerships between the USPS and FedEx and UPS for last mile delivery? Is this strategy sustainable for the USPS, which has operated at a loss for the last 21 out of 23 quarters? Finally, how will this impact capacity and service? Is the USPS prepared to handle the volume given a \$10 billion need for new trucks and sorting equipment?

<https://spendmatters.com/2014/09/10/usps-slashes-rates-but-can-it-handle-the-surge/>

**GIVING NEW MEANING TO AN "AIR" PARCEL SERVICE.** The Irish Examiner has reported that "delivery companies are making efforts to improve how they deliver your parcels, and Whistl (formerly TNT) have come up with a pretty unique way of doing it. The postal company has been training staff to ride the AirWheel devices, with trials of the new device taking place in London, Birmingham, Liverpool and Manchester. The AirWheel is self-balancing, and comes with a rechargeable battery that has a 20-mile range. It can also reach a top speed of 12 miles per hour."

<http://www.irishexaminer.com/examviral/technology-and-gaming/delivering-parcels-has-been-given-a-tech-upgrade-286446.html>

## POSTAL CUSTOMER UPDATES

**DMM Advisory: Simplifying Threshold Volume Requirements for USPS Return Services.** On September 11, 2014, we published a Federal Register interim rule to revise standards to change the total annual volume thresholds required for USPS™ Return Services products to qualify for Commercial Plus® pricing. A minimum volume of 50,000 will be established for these products across the board to simplify the product and make it easier for customers to do business with the Postal Service™. The interim rule is effective September 15, 2014. We encourage mailers to comment on or before November 10, 2014. See the entire notice on the Federal Register site at <http://www.gpo.gov/fdsys/pkg/FR-2012-10-23/html/2012-25994.htm> or later this week on the Postal Explorer® website at [pe.usps.com](http://pe.usps.com).

**Attention PostalOne! Users: Program Registration Release 11.0.0.4** — will be deployed to Production on Sunday, September 21, 2014 from 4:00 am to 9:00 am CDT. There will be an outage and the Online Enrollment and Incentives Program accessible via the Business Customer Gateway will be unavailable during that time. Program Registration Release 11.0.0.4 will implement the following enhancements. (1) Incentives: Fixes a defect: A few customers are unable to view their MSP Activity and MO Activity reports on the incentives module in BCG. (2) Shipping: Improving performance for mailers with a large number of CRIDs when logging into Incentives and Online Enrollment via the BCG.

## INDUSTRY ALERT

**Simplifying volume requirements for USPS™ Return Services.** The United States Postal Service® continues to take steps to make it easier to ship return packages. Effective Sept. 15, 2014, USPS™ introduces a single annual volume threshold for USPS Return Services products to qualify for Commercial Plus® pricing (CPP). In a Federal Register Notice published Sept. 11, 2014, the Postal

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Service aligns the minimum volume of 50,000 pieces annually, for USPS Return Services products across the board, to minimize confusion and provide consistency for customers. Currently there are different annual volume threshold requirements to qualify for CPP for products under the USPS Return Services umbrella. These products are Priority Mail® Return Service, First-Class Package Return® Service and Ground Return Service. Additionally, this change better aligns with the current 50,000 piece thresholds for Priority Mail CPP-Cubic and outbound Priority Mail CPP. Check out

<http://www.gpo.gov/fdsys/pkg/FR-2014-09-11/pdf/2014-21510.pdf> or contact your USPS sales representative.

## FEDERAL REGISTER UPDATES

- **Department of State Advisory Committee on International Postal and Delivery Services** Department of State. FACA committee meeting announcement. The agenda of the meeting will include: An update on developments in and upcoming meetings of the Universal Postal Union (UPU) and an examination of issues arising from discussions that are underway in the UPU and elsewhere on ways to increase the volume of ecommerce shipments in international mail. Among the issues to be considered are current constraints on the use of the mail for international merchandise shipment and possible competitiveness concerns arising from the customs treatment of mail and other aspects of the prevailing international postal regime. A full agenda and meeting documents will be posted on the Committee Web site at [www.state.gov/p/io/ipp/mtgs/index.htm](http://www.state.gov/p/io/ipp/mtgs/index.htm) as they become available. For further information, please contact Ms. Shereece Robinson of the Office of Specialized and Technical Agencies (IO/STA), Bureau of International Organization Affairs, U.S. Department of State, at tel. (202) 647- 1044, FAX (202) 647-8902, by email at [RobinsonSA2@state.gov](mailto:RobinsonSA2@state.gov) or by mail at IO/STA, Room 5333 HST; U.S. Department of State; Washington, DC 20520-6319.

## POSTAL REGULATORY COMMISSION UPDATE

- **R2014-2 Notice Concerning Updated Universal Postal Union Terminal Dues Rates**  
[http://www.prc.gov/docs/90/90344/Notice\\_R2014-2.doc](http://www.prc.gov/docs/90/90344/Notice_R2014-2.doc)  
[http://www.prc.gov/docs/90/90344/Notice\\_R2014-2.pdf](http://www.prc.gov/docs/90/90344/Notice_R2014-2.pdf)
- **R2014-3 Notice Concerning Updated Universal Postal Union Terminal Dues Rates**  
[http://www.prc.gov/docs/90/90345/Notice\\_R2014-3.doc](http://www.prc.gov/docs/90/90345/Notice_R2014-3.doc)  
[http://www.prc.gov/docs/90/90345/Notice\\_R2014-3.pdf](http://www.prc.gov/docs/90/90345/Notice_R2014-3.pdf)
- **R2014-4 Notice Concerning Updated Universal Postal Union Terminal Dues Rates**  
[http://www.prc.gov/docs/90/90346/Notice\\_R2014-4.doc](http://www.prc.gov/docs/90/90346/Notice_R2014-4.doc)  
[http://www.prc.gov/docs/90/90346/Notice\\_R2014-4.pdf](http://www.prc.gov/docs/90/90346/Notice_R2014-4.pdf)
- **The Directory of PRC Workshare Cost Avoidance Models** has been updated to include the revised Standard Mail models approved in Docket No. RM2014-6, Proposal Seven.  
[http://www.prc.gov/PRC-DOCS/UploadedDocuments/FY 2013 Workshare Cost Model Directory 09 10 2014 \(2\) 3738.pdf](http://www.prc.gov/PRC-DOCS/UploadedDocuments/FY%2013%20Workshare%20Cost%20Model%20Directory%2009%2010%202014%20(2)%203738.pdf)
- **Postal Service Active Employee Statistical Summary (HAT Report), Pay Period 19, FY 2014**  
[http://www.prc.gov/docs/90/90327/Letter\\_HAT\\_PP19FY14\\_20140912160821.pdf](http://www.prc.gov/docs/90/90327/Letter_HAT_PP19FY14_20140912160821.pdf)  
<http://www.prc.gov/docs/90/90327/PP19%20FY2014.pdf>
- **National Payroll Hours Summary Report, Pay Period 19, FY 2014**  
[http://www.prc.gov/docs/90/90326/Letter\\_NatlPay\\_PP19FY14\\_20140912160858.pdf](http://www.prc.gov/docs/90/90326/Letter_NatlPay_PP19FY14_20140912160858.pdf)  
[http://www.prc.gov/docs/90/90326/NationalPayrollSummary\\_PP19\\_2014.xlsx](http://www.prc.gov/docs/90/90326/NationalPayrollSummary_PP19_2014.xlsx)

## OFFICE OF INSPECTOR GENERAL UPDATE

- **[Opportunity Knocks.](#)**

The aptly named Business Service Network (BSN) is charged with servicing the U.S. Postal Service's 23,000 largest customers by addressing service issues, answering questions, and fulfilling other requests. Given the annual postal spend of this customer group – almost \$38 billion in fiscal year 2013 alone – it clearly behooves the Postal Service to keep these customers happy. But retaining large commercial customers takes more than just putting out fires and answering questions. That's why BSN employees have been encouraged to reach out to many commercial accounts to gain a better understanding of what customers need and with any luck, they can thwart service problems before they occur. Outreach also builds customer loyalty. And while the BSN's 300 employees aren't tasked with selling products and services – the Sales group does that – their face-to-face contact with commercial customers creates a key opportunity to do so. Our recent audit of the BSN



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shows just how valuable customer outreach can be. We found that the customer accounts BSN staff proactively contacted spent significantly more on postal services than those who were not contacted. And we estimated the Postal Service could have generated an additional \$382 million by proactively contacting all BSN customers. Our report found other opportunities for improvement, too, such as resolving issues more quickly, collecting more customer feedback, and redesigning the BSN staff evaluation process. At the same time, the Postal Service is realizing it needs to beef up the BSN. During a recent meeting with mailer groups, management outlined some planned BSN enhancements. These include streamlining customer surveys, seeking ways to increase "personal" contact with commercial customers, reaching out to smaller customers, and treating all customer issues with the highest level of urgency.

<https://www.uspsig.gov/blog/opportunity-knocks>

- [\*\*\*Efficiency Review of the Cincinnati, OH, Network Distribution Center – Operations and Transportation\*\*\*](#)

**What the OIG Found.** Opportunities exist to improve the efficiency of some operations at the Cincinnati NDC by better managing workhours and processing more mailpieces per hour. The Cincinnati NDC had an average piece per hour productivity of 112 for its distribution operations, while comparable NDCs had an average piece per hour productivity of 186. In addition, the Cincinnati NDC used a higher percentage of workhours for other operations than comparable NDCs. Consequently, the Cincinnati NDC used 51,352 more workhours than necessary. We also found some mail being unnecessarily transported from the Cincinnati NDC and unused space in some mail transport containers. In addition, some trailers transporting mail between the Cincinnati and Des Moines NDCs were not filled to capacity. These conditions occurred because officials did not use best practices to benchmark efficiency against other NDCs; did not always follow NDC guidelines for properly sorting, labeling, and consolidating mail; and did not fully analyze existing transportation as required. If the Postal Service eliminated unnecessary workhours, it could save an average of about \$2 million in labor costs annually. In addition, it could save about \$473,000 annually in transportation costs by complying with NDC guidelines and eliminating a daily round trip. Finally, we observed that mail transport equipment was not always properly restrained for transport to and from the NDCs as required.

**What the OIG Recommended.** We recommended the vice president, Eastern Area, improve the efficiency of the Cincinnati NDC's manual operations and reduce workhours in other operations to achieve the productivity of comparable NDCs. We also recommended the vice presidents, Eastern and Western areas, reinforce compliance with NDC guidelines, remove an unnecessary highway contract round trip, and reinforce existing safety procedures for restraining mail transport equipment.

<https://www.uspsig.gov/sites/default/files/document-library-files/2014/no-ar-14-011.pdf>

- [\*\*\*Monitoring Post Office Operational Risk in the Southern Area\*\*\*](#)

**What the OIG Found.** The Southern Area is effectively monitoring 12 of the 13 risk elements we reviewed. However, we found area and district managers did not continuously monitor refunds. We found that for calendar years 2011 through 2013, refunds increased by \$3.6 million (from \$9.9 million to \$13.5 million, or 36.6 percent), while associated revenue increased by about \$7.7 million (from \$838.4 million to \$846.1 million, or 0.9 percent). Area and district personnel were not continuously monitoring refunds because they are not required to do so under current Postal Service policy and they consider the financial risk from errors to be low. Without refund monitoring, there is an increased opportunity for refund fraud against the Postal Service. Specifically, the Postal Service issues refunds when labels or meter strips are damaged or printed in error and voided. Falsifying refunds would provide employees the opportunity to convert Postal Service funds for personal use.

**What the OIG Recommended.** During the audit, the Southern Area Controller established a quarterly variance report to identify units with a high percentage of refunds to total revenue. As a result of this process, from January through June in calendar years 2013 and 2014, the Southern Area's refunds decreased by \$1.1 million (from \$6.9 million to \$5.8 million, or about 15.9 percent). Therefore, we will not be making a recommendation.

<https://www.uspsig.gov/sites/default/files/document-library-files/2014/dp-ar-14-006.pdf>

- [\*\*\*Post Office Relocation Process\*\*\*](#)

**What the OIG Found:** The process for relocating facilities was not always transparent. Further, the vice president, Facilities, has conflicting responsibilities for approving funding and adjudicating relocation appeals. We reviewed 33 of the 114 relocation projects we identified for fiscal years 2011 through 2013, and found 25 new site selections were not announced until after the public comment and appeal periods ended, and two had undetermined announcement dates. We found that only one of the 25 appeals filed for the 114 projects was upheld, leading management to halt the relocation. Further, the Postal Service could not readily identify the number of relocations and officials did not always efficiently manage the public notification and documentation process. These conditions occurred because some procedures were unclear and the vice president, Facilities, was authorized to approve funding and adjudicate appeals. Further, there were no requirements to track all relocations and officials did not always know the specific guidelines and processes. Consequently, the public and local



officials may not have had the information they needed to make informed comments and determine the impact of a relocation, potentially harming the Postal Service's relationship with the public.

**What the OIG Recommended:** We recommended the vice president, Facilities, revise regulations and guidelines to enhance transparency and public input for potential alternative site selections. We also recommended modifying the guidance to remove the official's dual funding and adjudicating responsibilities; establishing a method to track and monitor relocations and documentation requirements and retention periods for relocation files; and training real estate specialists.

<https://www.uspsoig.gov/sites/default/files/document-library-files/2014/dr-ar-14-008.pdf>


- [\*\*U.S. Postal Service's Delivering Results, Innovation, Value, and Efficiency Initiative 42 – Market New and Existing Services\*\*](#)

**What the OIG Found:** DRIVE 42 managers did not follow DRIVE project management processes when planning and evaluating overall project metrics and revenue goals. For example, management established a revenue goal of \$5.2 billion for the shipping revenue and profitable mail projects without a system to accurately measure achievement. Also, the goal for increasing online revenue is not aggressive, as it calls for growth that is 50 percent less, on average, than that of the 3 years prior to DRIVE 42. Further, the cumulative goal of DRIVE 42 was \$8 billion less than the combined goals of the five underlying projects. Consequently, management and evaluation of DRIVE 42 are based on inaccurate information. We also identified \$3.4 billion in unsupported increased revenue which management claimed for the shipping revenue and profitable mail projects. These issues occurred in DRIVE 42 because there is no independent audit process in DRIVE to promote accountability and ensure that goals are measurable, realistic, and accurate.


**What the OIG Recommended:** We recommended management include goals that can be accurately measured and that reflect the \$24.6 billion total of the projects. We also recommended requiring that initiative leads follow established criteria to set bold and aggressive roadmap goals beyond past performance.

<https://www.uspsoig.gov/sites/default/files/document-library-files/2014/dp-ar-14-005.pdf>


## OVER THERE . . . INTERNATIONAL POSTAL NEWS

 **ArmInfo** : Postal parcels from the U.S. have not reached Armenia for a month already. HayPost CJSC, the national postal operator of Armenia, told ArmInfo. The company has no information about the delay. Many citizens who ordered products from ebay and other online shops have not received their items yet. DHL Armenia Office told ArmInfo they have certain problems with delivery delay, but no 'global problems' with shipment of parcels from the U.S. The Finance Ministry has failed to operatively respond to ArmInfo's questions and asked a written request. One can suppose that cargoes do not reach the country due to the U.S. sanctions against Russia over Ukraine's crisis. Most of the postal parcels are delivered to Armenia via Russia. The parcels delivered via other countries reach Armenia timely.


<http://www.arminfo.am/index.cfm?objectid=A2A26F10-3E44-11E4-A1BA0EB7C0D21663>

 **Post & Parcel** : Poste Italiane grew its sales in the first half of the year thanks to its insurance business, but profitability slumped under pressure from declining mail volumes. The Italian national postal operator said revenues grew by just over 15% to EUR 15bn in the first six months of 2014. Net profit fell by 38% compared to last year's first half, to EUR 222m. The company said its express courier business achieved positive results in the half thanks to the development of e-commerce, on the back of Poste Italiane's "comprehensive" integrated logistics and secure payment services. However, the good performance of the parcels business was not enough to counter the decline in traditional mail and the high level of competition in profitable segments of the postal business.

<http://postandparcel.info/62690/news/companies/poste-italiane-seeking-postal-reforms-as-profitability-slides/>


 **The Yeshiva World News** : Striking and work sanctions have not changed the minds of decision makers and the planned firing of Postal Authority employees has not cancelled. On Tuesday 21 Elul, all Health Ministry offices nationwide including district and local offices took part in the job sanctions in a showing of solidarity. Employees reported for work but they would not answer phones or have hours for the public. They also halted food inspections and authorizing new food and medications. In addition, postal workers have halted all mail service to all government ministries.

<http://www.theyeshivaworld.com/news/headlines-breaking-stories/258902/israel-postal-authority-sanctions-spreading-far-and-wide.html>


 **Compass Cayman** : According an Ernst & Young Review of Public Services provided last week at government's request the postal service should be commercialized and then, "We recommend that in the longer term the Cayman Islands Postal Service is sold." The report notes that traditional government-operated postal services around the world are changing to new private-sector-based operating models. "The CI Postal Service could be commercialized and its performance improved significantly," the report states in an option

overview, later noting that commercial initiatives should lead to a greater service offering to customers. Cost reductions and revenue expanding initiatives will require a culture change with the postal service, the report states. The final phase of the "commercialize and exit" plan would be to invite the private sector to make a proposal for postal operations. If this is not fully achievable, further rationalization and cost reduction activities will need to be examined and undertaken – such as additional closures.


<http://www.compasscayman.com/caycompass/2014/09/16/Post-office-merger-suggested/>

 **Irish Examiner** : Delivery companies are making efforts to improve how they deliver your parcels, and Whistl (formerly TNT) have come up with a pretty unique way of doing it. The postal company has been training staff to ride the AirWheel devices, with trials of the new device taking place in London, Birmingham, Liverpool and Manchester. The AirWheel is self-balancing, and comes with a rechargeable battery that has a 20-mile range. It can also reach a top speed of 12 miles per hour.


<http://www.irishexaminer.com/examviral/technology-and-gaming/delivering-parcels-has-been-given-a-tech-upgrade-286446.html>

 **Korea Times** : The National Agricultural Cooperative Federation, better known as Nonghyup, plans to launch a parcel delivery service but is drawing criticism from established delivery companies. The organization says that introducing a second state-run delivery provider is sorely needed to alleviate heavy mail distribution within the saturated delivery service industry. "We plan to start a parcel service. We will be able to provide the service at lower prices than average services run by private delivery companies," a Nonghyup official said. They say that the cooperative federation seeks to enter the delivery business by acquiring an existing service provider.


[http://www.koreatimes.co.kr/www/news/biz/2014/09/123\\_164622.html](http://www.koreatimes.co.kr/www/news/biz/2014/09/123_164622.html)

 **Post & Parcel** : Royal Mail's biggest rival in the UK postal market has announced a major rebrand, changing its name to "whistl". In Germany, TNT Post has been rebranded as PostCon, while in Italy it is rebranding into Nexive.



<http://postandparcel.info/62638/news/companies/royal-mails-challenger-tnt-post-uk-to-rebrand-as-whistl/>

 **Financial Times** : Business has finally entered the Scottish independence debate, kicked off the fence by narrowing opinion polls and panicked investors. A growing chorus of bosses is now urging the Scots to vote No. The future of Scottish business has become a battleground of the campaign. Shocked into finding their voices, businesses have started explaining the cost of Mr Salmond's dream. They should be still more explicit: **pricier postage stamps**, kettles or baked beans are not abstractions: they hurt. High quality global journalism requires investment. Please share this article with others using the link below, do not cut & paste the article. See our Ts&Cs and Copyright Policy for more detail. A new border will affect those who never stray over it. Take Royal Mail. Scotland is covered by the universal service provision that obliges the postal service to make deliveries at the same cost across the UK. With independence, this will go: meaning increased costs for businesses that use the post and a sting in the wallet for anyone mailing birthday cards to relatives down south.


<http://www.ft.com/intl/cms/s/2/2b07a72c-3c0a-11e4-96b8-00144feabdc0.html>

 **ITV** : The Scottish Government opposed the privatisation of Royal Mail last year and has pledged to renationalise the Scottish service if the country votes in favour of independence. By doing so it promises the Scottish people that the mail service they receive will be the same or even better than the one they currently receive. They haven't disclosed and don't appear to know the costs of enacting this promise. Scotland is more sparsely populated than much of the rest of the UK - the country accounts for around one tenth of the British population and one third of its land mass and it is therefore more expensive to deliver mail there.


<http://www.itv.com/news/2014-09-12/could-maintaining-the-royal-mail-hit-scots-in-the-pocket/>

  **This Is Money** : An independent Scotland will face soaring stamp prices and could lose Royal Mail services altogether, a leading expert warned last night. Royal Mail currently delivers anywhere in Britain for a single price, under what is called the 'universal service obligation'. But an independent Scotland would be forced by EU law to establish its own postal service.

<http://www.thisismoney.co.uk/money/news/article-2753618/Royal-Mail-not-deliver-independent-Scotland-EU-law-expert-warns.html>


 **Irish Times** : Minister for Communications Alex White says the new national postcode system – known as Eircode – will be introduced in early 2015. Mr White has told The Irish Times legislation may need to be introduced to address some concerns that the new codes may compromise the personal data of individuals. However he said that notwithstanding the need for a new law, the long-awaited project could be delivered early next year "and I would hope to do that". "It's one of those things we have been talking about for a long time and we are now at the point that is capable of delivery."

<http://www.irishtimes.com/news/politics/minister-confident-new-postcode-system-will-be-introduced-early-next-year-1.1928738>


 **Wall Street Journal** : Squeezed by high prices at home, Brazilian consumers in search of bargains are flocking to the Chinese e-commerce giant. Making e-commerce inroads in Brazil has its twists and turns. By regulation, the many packages arriving in the country from overseas can be charged up to 60% in customs taxes if they are valued at more than \$50. Many merchants know to ship orders there that have been broken up so that each package falls below the threshold. Even so, buyers say, the threshold is

inconsistently enforced: Some customers aren't charged at all, while others say they have been arbitrarily fined as much as full value. With so many packages now arriving from abroad, Correios said the volume of international orders has increased nearly fourfold over the last four years. It now charges 12 reais (\$5.16) per package to recipients as a processing fee even when the packages are valued below the maximum. The Correios spokeswoman added that the company is working with Brazil's tax authorities to test new systems that would make clearing customs faster, such as allowing the payment of customs taxes online.


<http://online.wsj.com/articles/chinas-alibaba-draws-brazilian-bargain-shoppers-1410555882>

 **The Independent** : MPs are privately warning that Royal Mail could be "fatally wounded" by increased competition, as they prepare to launch an inquiry into the actions of the postal service's rivals. In what Royal Mail executives claim is a threat to the UK's universal service, TNT Post has started to deliver letters and parcels directly. TNT has been accused of "cherry picking" densely populated areas where it can make a profit, such as London and Manchester, and avoiding rural locations. Royal Mail opened itself up to greater competition when it was privatised last year, but had to commit to keeping the universal service until 2021. Chief executive Moya Greene believes this means rivals have unfair advantages as they attempt to grow direct-delivery services, and wants regulator Ofcom to launch an immediate investigation.


<http://www.independent.co.uk/news/uk/politics/royal-mail-mps-warn-of-a-postal-service-fatally-wounded-by-its-rivals-9731544.html>

 **PrintWeek** : UK Mail's hybrid mailing service, imail, has launched a new personalised greetings card app SWALK (Sealed With a Loving Kiss). The app enables consumers to use pictures from their iPhones to create low-cost greetings cards that are then printed and sent by email. The app is integrated with Facebook so that senders can request postal addresses from intended recipients. The recipient is notified of the request via Facebook and inputs their address without the sender seeing it.

<http://www.printweek.com/print-week/news/1146549/imail-launches-personalised-greetings-card-app>

 **The Moscow Times** : Not getting in to the college of your choice is never nice — but it's even worse if it happens because the postal service delayed your application and reimbursed you 50 cents for a wasted year of your life. A young woman in Siberia's Kemerovo region failed to get into college because the state-run postal monopoly Russian Post did not deliver her entry application on time, a local court reported Thursday. The unidentified woman had applied to two colleges in Moscow, but both denied her a place because the applications arrived too late, contrary to the post office's assurances, the court said on its website. When she complained, the postal company paid her back 20.20 rubles (\$0.53) for the mail shipping costs. And when she sued, Russian Post refused to pay up, saying she had presented no proof of suffering moral damages over the incident. Russian Post has a dismal reputation for delays and other shipping problems, ranking among the world's worst in a 2012 study of 159 postal systems worldwide. Though it has reported investing considerable effort and money into improvement in recent years, it remains plagued by incidents and mismanagement.

<http://www.themoscowtimes.com/news/article/russian-post-foils-teen-s-college-application/506991.html>

 **Recruiter** : Logistics group DHL has teamed up with the Ministry of Defence to offer work placements to members of the armed forces shortly before they end their careers in military service. The programme, which will run across the firm's 400 operations in the UK, will include commercial driver training and developing employability skills. It will target members of the forces who have six months or less service to run.

<http://www.recruiter.co.uk/news/2014/09/dhl-seeks-to-recruit-ex-military-personnel/>

## POSTAL PREVIEWS

- September 21-23, 2014: **MAILCOM Las Vegas Annual Fall Conference**. Tuscany Hotel & Casino, Las Vegas, NV. For more information visit [www.mailcom.org](http://www.mailcom.org).
- September 30 - October 1, 2014: **PostCom Board Meetings**. Venable Building, 575 7<sup>th</sup> Street, NW, 8<sup>th</sup> Floor, Washington, DC 20004. For more information contact Caroline Miller by email [cmiller1@postcom.org](mailto:cmiller1@postcom.org) or call 703-524-0096 ext. 3.
- October 15, 2014: **USPS & Area Mailing Industry Focus Group Meeting. Northeast Area**. Providence RI. For more information contact Leonard Rooke/Marc Riley (860) 285-7391/(617) 654 5784.
- October 23, 2014: **USPS & Area Mailing Industry Focus Group Meeting. Pacific Area**. Los Angeles, CA. For more information contact Susan Recchia (858) 674-3173.
- October 23, 2014: **USPS & Area Mailing Industry Focus Group Meeting. Eastern Area**. Philadelphia PA. For more information contact Jesus Galvez/Shari Myers (412) 494-2666/(412) 494-3904.
- October 25-30, 2014: **DMA 2014**. San Diego Convention Center, San Diego, CA. For more information visit [www.the-dma.org](http://www.the-dma.org).



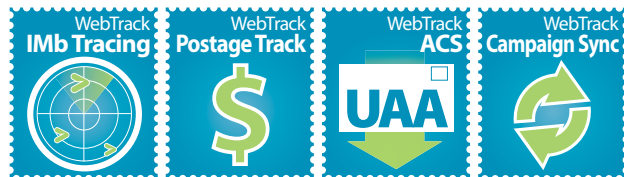
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- ✓ **Innovation** – Product enhancements are developed at a rapid, continuous rate to keep pace with specific and constantly evolving customer needs.
- ✓ **Industry Leadership** – All levels of the company remain fully engaged throughout the industry to represent the needs of our customers.
- ✓ **Client Care** – A team of experts regularly analyze your activity to learn everything the data can tell us about your business so that we can help you make impactful decisions.

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- November 4-5, 2014: **IDEAlliance Fall Meeting: Postal & Newsstand Logistics. Tuesday, November 4 (10:00 am - 5:00 pm). Postal Operations & Technologies, Wednesday, November 5 (9:00 am - 2:00 pm).** Hosted by Conde Nast, New York, New York. For more information visit [www.idealliance.org](http://www.idealliance.org) or call Georgia Volakis, 703-837-1075 or email [gvolakis@idealliance.org](mailto:gvolakis@idealliance.org).
- November 18-19, 2014: **Mailers Technical Advisory Committee.** Washington, DC. **MTAC Open Session** will be held on Tuesday afternoon, November 18; **MTAC Focus Group Sessions** are scheduled for all day Wednesday, November 19. The only activities related to MTAC on Thursday November 20 are the MTAC Leadership meeting, and various work group and task team meetings, which typically are not publicized except to members. For more information, email [mtac@usps.gov](mailto:mtac@usps.gov)
- January 27-28, 2015: **IDEAlliance Winter Meeting: Tuesday, January 27 (10:00 am - 5:30 pm). Wednesday, January 28 (8:30 am - 2:00 pm).** Hosted by Northrop Grumman Corporation - Information Systems, McLean, Virginia. For more information visit [www.idealliance.org](http://www.idealliance.org) or call Georgia Volakis, 703-837-1075 or email [gvolakis@idealliance.org](mailto:gvolakis@idealliance.org).
- February 10-11, 2015: **PostCom Board Meetings.** Venable Building, 575 7<sup>th</sup> Street, NW, 8<sup>th</sup> Floor, Washington, DC 20004. For more information contact Caroline Miller by email [cmiller1@postcom.org](mailto:cmiller1@postcom.org) or call 703-524-0096 ext. 3.
- February 17-18, 2015: **Mailers Technical Advisory Committee.** Washington, DC. **MTAC Open Session** will be held on Tuesday afternoon, February 17; **MTAC Focus Group Sessions** are scheduled for all day Wednesday, February 18. The only activities related to MTAC on Thursday February 19 are the MTAC Leadership meeting, and various work group and task team meetings, which typically are not publicized except to members. For more information, email [mtac@usps.gov](mailto:mtac@usps.gov)
- March 10-11, 2015: **PostalVision 2020/5.0 Conference.** Ritz Carlton, Pentagon City, VA (DC). PostalVision 2020/5.0 will discuss the significance of "Customer, Connections and Collaboration" as key empowering forces driving transformation and reinvention of the global postal ecosystem. Registration opens October, 2014. For more information visit [www.postalvision2020.com](http://www.postalvision2020.com).
- March 15-18, 2015: **MAILCOM '15 Atlanta 25<sup>th</sup> Annual Conference & Exhibition.** Hilton Atlanta, Atlanta, GA. For more information visit [www.mailcom.org](http://www.mailcom.org).
- March 23-25, 2015: **IDEAlliance Print Distribution 2015 Conference: Spring Meeting.** Sheraton Sand Key Resort, Clearwater, Florida. For more information visit [www.idealliance.org](http://www.idealliance.org) or call Georgia Volakis, 703-837-1075 or email [gvolakis@idealliance.org](mailto:gvolakis@idealliance.org).
- May 17-20, 2015: **National Postal Forum.** Anaheim, CA. For more information, visit the NPF website at <http://www.npf.org>.
- May 20, 2015: **Mailers Technical Advisory Committee.** Anaheim, CA. MTAC meetings are being held at the National Postal Forum in Anaheim, CA, and will be a 3 hour meeting only. MTAC leaders said that registration to the NPF will not be required in order to attend the May 20, 2015 MTAC meeting, but noted that there will be several events held during the NPF to commemorate the 50<sup>th</sup> anniversary of MTAC in 2015, including on onstage recognition and special reception for MTAC representatives.
- May 13-15, 2015: **CRRI Eastern Conference.** Shawnee-on-Delaware. For more information visit <http://business.rutgers.edu/crri>.
- June 2-3, 2015: **PostCom Board Meetings.** Venable Building, 575 7<sup>th</sup> Street, NW, 8<sup>th</sup> Floor, Washington, DC 20004. For more information contact Caroline Miller by email [cmiller1@postcom.org](mailto:cmiller1@postcom.org) or call 703-524-0096 ext. 3.
- June 3-6, 2015: **CRRI Postal Conference.** Voulagmeni near Athens, Greece. For more information visit <http://business.rutgers.edu/crri>.
- June 24-26, 2015: **CRRI Western Conference.** Monterey, CA. For more information visit <http://business.rutgers.edu/crri>.
- July 14-15, 2015: **IDEAlliance Summer Meeting: Tuesday, July 14 (11:00 am - 5:30 pm). Wednesday, July 15 (8:30 am - 3:00 pm).** Hosted by Meredith Corporation, Des Moines, IA. For more information visit [www.idealliance.org](http://www.idealliance.org) or call Georgia Volakis, 703-837-1075 or email [gvolakis@idealliance.org](mailto:gvolakis@idealliance.org).



- September 22-24, 2015: **MAILCOM Las Vegas 21<sup>st</sup> Fall Conference.** Tuscany Hotel & Casino, Las Vegas, NV. For more information visit [www.mailcom.org](http://www.mailcom.org).
- October 6-7, 2015: **PostCom Board Meetings.** Venable Building, 575 7<sup>th</sup> Street, NW, 8<sup>th</sup> Floor, Washington, DC 20004. For more information contact Caroline Miller by email [cmiller1@postcom.org](mailto:cmiller1@postcom.org) or call 703-524-0096 ext. 3.
- November 3-4, 2015: **IDEAlliance Fall Meeting: Tuesday, November 3 (10:00 am - 5:00 pm). Wednesday, November 4 (9:00 am - 2:00 pm).** Hosted by Quad/Graphics, New York, New York. For more information visit [www.idealliance.org](http://www.idealliance.org) or call Georgia Volakis, 703-837-1075 or email [gvolakis@idealliance.org](mailto:gvolakis@idealliance.org).
- March 20-23, 2016: **National Postal Forum.** Nashville, TN. For more information, visit the NPF website at <http://www.npf.org>

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